

VZCZCXRO7091
RR RUEHRC
DE RUEHRI #0089/01 1051443
ZNR UUUUU ZZH
R 141443Z APR 08
FM AMCONSUL RIO DE JANEIRO
TO RUEHC/SECSTATE WASHDC 4434
INFO RUEHBR/AMEMBASSY BRASILIA 0777
RUEHSD/AMCONSUL SAO PAULO 5141
RUEHRC/AMCONSUL RECIFE 3419
RUEHAC/AMEMBASSY ASUNCION 0339

UNCLAS SECTION 01 OF 02 RIO DE JANEIRO 000089

SIPDIS

USDOC WASHDC
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SENSITIVE

STATE PASS NSC FOR MICHAEL SMART/GARY TOMASULO
USDOC FOR 4332/ITA/MAC/WH/OLAC/JANDERSON/ADRISCOLL/MWAR D

E.O. 12958: N/A

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SUBJECT: Minister of Industry and Commerce Discusses Possible Deliverables for U.S.-Brazil CEO Forum

This cable is sensitive but unclassified, please protect accordingly.

¶1. (SBU) Summary: On April 8, 2008, Brazilian Minister of Industry and Commerce Miguel Jorge and Ambassador Sobel discussed Minister Jorge's upcoming visit to Washington DC for the CEO Forum Meeting at the end of April. Ambassador Sobel stressed the importance of showing concrete results from these meetings and suggested deliverables in the areas of extending visa reciprocity to 10 years, combining tourist and business visas, progress on Bilateral Tax and Investment Treaties, and tourism and aviation agreements. Ambassador also raised U.S. industry concerns over the proposed "Lei de Sacoleiros" (small importers law). End Summary.

Next Steps on Possible Investment and Tax Treaties

¶2. (SBU) With the White House participating in the upcoming meeting in April, Amb. Sobel argued the importance of having deliverables to show the concrete results of the CEO Forum. He pushed for progress on the Bilateral Tax Treaty (BTT) and international arbitration under a Bilateral Investment Treaty (BIT), two specific recommendations from the CEO Forum in Brasilia of October 2007. But Minister Jorge expressed doubts about the ability to move forward on either initiative.

¶3. (SBU) Min. Jorge noted concerns about a BIT being unconstitutional based on an argument that no State can be governed by private sector (i.e., outside the court system) dispute rulings in Brazil. The Ambassador suggested that, as a first step, the U.S. would need to review a draft BIT proposal from Brazil, and urged Min. Jorge to weigh in with the Foreign Ministry to produce a draft sooner rather than later. If the U.S. can get an initial working draft to review, the Ambassador feels that the Bush Administration can convince the U.S. Congress to support a BIT between our two countries. For example, he noted, U.S. House Speaker Pelosi believes that the time is right for a U.S.-Brazil BIT.

¶4. (SBU) Regarding a Bilateral Tax Treaty, Min. Jorge noted that U.S. requirements for tax and banking information would make a BTT very difficult, if not impossible. Brazil has issues with collecting tax information since a judicial process is required, according to Jorge. He conceded, however, that an amnesty bill was pending which could resolve some of the challenges currently associated with realizing a BTT.

Visa and Aviation Agreements Key to More Tourism

¶ 15. (SBU) Ambassador said that the U.S. would be willing to extend the validity of B1 (work) and B2 (tourist) visas to ten years if Brazil was willing to reciprocate. Citing that agreement on this issue could be reached within the next two weeks, the Ambassador also advocated for consolidation of the B1 and B2 visas. Minister Jorge seemed amenable to the idea.

¶ 16. (SBU) On proposed changes to the aviation agreement, which would allow more direct routes for U.S. carriers to northeastern Brazil, Ambassador Sobel informed Minister Jorge that he had received State Department approval to move forward. Ambassador Sobel pushed Minister Jorge to continue the work of outgoing Minister of Tourism Marta Suplicy, who is expected to resign soon, to promote more tourism between the U.S. and Brazil.

Proposed "Lei de Sacoleiros" Could Lead to More Piracy

¶ 17. (SBU) Ambassador Sobel raised U.S. information technology industry concerns over a potential rise in piracy that could result from proposed Brazilian legislation to place a flat tax on goods coming to Brazil by land from Paraguay up to \$250,000, allowing exporters to self-declare what goods are being shipped. Minister Jorge did not see any problems with the law, and seemed surprised that U.S. companies would have a problem with it. While admitting that there are political reasons behind supporting the law, Minister Jorge asserted that it was meant to stop the flow of arms coming in through Rio's ports. He did not agree with the argument that it would result in increased piracy, and invited the U.S. government or U.S. industry to present any compelling evidence to support its claim.

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¶ 18. This message was cleared/coordinated with Embassy Brasilia.

MARTINEZ